



# Arkansas Department of Human Services

## Division of Medical Services

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**TO:** Arkansas Medicaid Pharmacy Providers

**DATE:** January 30, 2004

**SUBJECT:** Proposed - Provider Manual Update Transmittal No. 66

### REMOVE

Section	Date
251.000	10-13-03
251.200	10-13-03

### INSERT

Section	Date
251.000	10-13-03
251.200	10-13-03

### Explanation of Updates

During the HIPPA conversion process, the information contained in Official Notices DMS-2002 Q-4 and Q-9 was inadvertently omitted. This update is to reinstate the information contained in those notices.

Transmittal #65 is being skipped for administrative reasons.

Paper versions of this update transmittal have updated pages attached to file in your provider manual. See Section I for instructions on updating the paper version of the manual. For electronic versions, these changes have already been incorporated.

If you need this material in an alternative format, such as large print, please contact our Americans with Disabilities Act Coordinator at (501) 682-6789 or 1-877-708-8191. Both telephone numbers are voice and TDD.

**If you have questions regarding this transmittal, please contact the EDS Provider Assistance Center at 1-800-457-4454 (Toll-Free) within Arkansas or locally and Out-of-State at (501) 376-2211.**

Thank you for your participation in the Arkansas Medicaid Program.

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Roy Jeffus, Director

*Arkansas Medicaid provider manuals (including update transmittals), official notices and remittance advice (RA) messages are available for downloading from the Arkansas Medicaid website: [www.medicaid.state.ar.us](http://www.medicaid.state.ar.us).*

## 251.000

## Method of Reimbursement

10-13-03

Medicaid payments are made according to federal regulations. For each prescription, reimbursement is based on one (1) of the following:

- A. The State/Federal Generic Upper Limit (GUL) plus a dispensing fee based on the formula: State/Federal GUL + \$5.51. (*Dispensing fee equals \$5.51.*)  
*or*
- B. The lowest of the pharmacy's usual and customary charge to the general public or the Estimated Acquisition Cost (EAC) plus dispensing fee, where EAC is defined as:
  - 1. The Estimated Acquisition Cost (EAC) of the brand name drug dispensed plus dispensing fee based on the formula: EAC + \$5.51. (*EAC equals Average Wholesale Price [AWP] minus 14%. Dispensing fee equals \$5.51.*)  
**and**
  - 2. The Estimated Acquisition Cost (EAC) of the generic drug dispensed plus dispensing fee is based on the formula: EAC + \$5.51. (*EAC equals Average Wholesale Price [AWP] minus 20%. Dispensing fee equals \$5.51.*)

An additional differential dispensing fee of \$2.00 will be paid on generic drugs that are not limited by a State or Federal generic upper limit.

Drug pricing files are updated weekly.

**251.200 Estimated Acquisition Cost****10-13-03**

For Arkansas Medicaid reimbursement purposes, the estimated acquisition cost (EAC) for a brand name drug is the average wholesale price (AWP) minus 14%. The EAC for a generic drug is the AWP minus 20%. The drug pricing file used in the claims processing system contains all package sizes available for each covered drug product. The AWP pricing information is updated weekly with current information from First DataBank.

Drug cost is calculated according to the package size purchased by each individual provider. For example, if a pharmacy buys a particular drug in a bottle of 100, the pharmacy provider is to bill Medicaid with the National Drug Code (NDC) number for the 100-unit package size; the drug product cost is calculated based on the 100-unit size. If another pharmacy buys the same drug in a bottle of 1000, that pharmacy provider is to bill Medicaid with the NDC number for the 1000-unit package size; the drug cost is calculated based on the 1000-unit size.

Drug manufacturer/labelers are responsible for timely notification to First DataBank of any product and price revisions. The drug pricing file is updated weekly according to the information provided to First DataBank by the manufacturer/labelers. The EAC prices in the Medicaid Program may not correlate exactly with the list price from all wholesalers due to variations in the marketplace.